

RECORD VERSION

STATEMENT BY

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Introduction

Chairman Thibault, Chairman Shays, and distinguished members of the Commission on Wartime Contracting: Thank you for this opportunity to discuss the Logistics Civil Augmentation Program (LOGCAP) transition in Iraq.

LOGCAP is an initiative by the United States Army to plan during peacetime for the use of civilian contractors to perform selected services in wartime and other contingencies to augment US forces in support of Department of Defense (DoD) missions. LOGCAP can also provide support to other US military services, coalition and/or multinational forces, and other government/non-government agency components in support of joint, combined, coalition and multinational operations. This includes operations other than war, such as disaster relief, peacekeeping or humanitarian assistance missions. We are pleased to report that the Army, through LOGCAP, has provided quick reaction support for operations worldwide including operations in very austere conditions.

My remarks today will center on the contracting transition aspects of LOGCAP.

Discussion

To assist the Commission with their understanding of the current LOGCAP IV contract, I feel it is important to provide a brief overview of the history of the contracts that have supported the program.

In 1992, the Army competitively awarded the first multifunctional logistics support contract, now known as LOGCAP I, to Kellogg Brown and Root (KBR). This contract was established as a force multiplier with a wide range of logistics services. The LOGCAP I contract

was used in support of military operations in Somalia, Rwanda, Bosnia, Haiti, and East Timor and ended with a value of \$811 million over the 5 years of the contract.

In 1997, the Army awarded a follow-on contract, LOGCAP II, to DynCorp Service, Inc. The demand for LOGCAP services during this time frame was fairly low, with relatively small efforts performed in Panama, Columbia, East Timor and the Philippines. Expenditures after five years under LOGCAP II totaled approximately \$102 million.

The LOGCAP III contract was awarded on December 14, 2001, to Kellogg Brown and Root Services (KBR) as a result of a competitive best value source selection. The contract is an Indefinite Delivery, Indefinite Quantity (IDIQ) contract with one base year and nine option years. We are currently in the eighth option year. If all options were to be exercised against this contract, it would expire in December 2011. It is the largest service contract in the Army with over \$38 billion obligated on more than 170 task orders to date. The contract allows for a variety of task order types including Firm-Fixed-Price (FFP), Cost-Plus-Award-Fee (CPAF), Cost-Plus-Fixed-Fee (CPFF), and Cost-Plus-Incentive-Fee (CPIF). Current task orders provide for services in Iraq, Afghanistan, Kuwait, and the Republic of Georgia.

The requirements placed on the LOGCAP III contract to support the Overseas Contingency Operations have far exceeded the combined efforts on all previous LOGCAP Contracts.

These increases in the level of effort of the LOGCAP III contract made it very clear the Army needed to develop and execute a new contract strategy to support this program. Consequently, in mid 2004 the Army Sustainment Command (ASC) began development of a strategy to put in place a contracting approach that would incorporate the lessons learned during all previous LOGCAP contracts and enhance our ability to support future efforts. The primary

objectives of the new LOGCAP IV contract were to reduce program risk, increase capacity, and incentivize contract performance. After extensive coordination with the Department of Defense, Sister Services, Combatant Commands, and Industry, the Army determined the best acquisition approach was to competitively award a single LOGCAP support contract and three LOGCAP performance contracts.

The Army awarded the LOGCAP support contract to Serco on February 16, 2007, to obtain support services such as planning, requirements generation, cost estimating, logistics management, and management analysis in support of the LOGCAP program and contracting offices. This support covers both the LOGCAP III and LOGCAP IV contracts.

In addition, the Army awarded three indefinite quantity, indefinite delivery (IDIQ) LOGCAP IV performance contracts to DynCorp International, Fluor Intercontinental, and KBR respectively, on June 27, 2007. Performance on those contracts did not begin until April 17, 2008, after protests to the Government Accountability Office (GAO) were resolved. Under LOGCAP IV, all three contractors compete for individual task orders that are issued as the need for support in a particular location is defined. Twelve task orders have been awarded to date, including nine task orders for performance and three task orders for project management offices (one for each contractor.) To date, \$1.8 billion has been obligated under the LOGCAP IV contracts. With inclusion of the core logistics support, theater transportation, and postal operations services (CPT), 76 percent of LOGCAP work has been competitively awarded under LOGCAP IV. Services are transitioned from LOGCAP III to LOGCAP IV as task orders are awarded. In addition to protests against the award of the basic contracts, four of the task orders awarded to date under LOGCAP IV have been protested. Before May 27, 2008, protests against the issuance or proposed issuance of a task or delivery order under an IDIQ contract were not

authorized except on the grounds that the order exceeded the scope, performance period or maximum value of the contract. The enactment of Section 843 of the National Defense Authorization Act for Fiscal Year 2008, Public Law 110-181, “Enhanced Competition Requirements for Task and Delivery Order Contracts” significantly expanded that protest authority by allowing a protest on any grounds for task or delivery orders valued in excess of \$10 Million. That change has had a significant impact on LOGCAP IV awards and transition milestones.

LOGCAP IV ACQUISITION STRATEGY

The LOGCAP IV acquisition strategy directed that after the LOGCAP IV base contracts were in place, all new LOGCAP work would be executed on the LOGCAP IV contract and we would perform an orderly transition of existing LOGCAP III work to LOGCAP IV. The strategy recognized battlefield commander’s operational requirements would be a key factor in the planning and execution of transition events.

In June 2007, the Army developed its overarching transition strategy establishing the order of transition by country progressing from the relatively small scale operation in Kuwait to what, at the time was expected to be a relatively stable operation in Afghanistan, to the largest and most complex operation in Iraq. A transition effort of this magnitude is historically unprecedented, and this model provided the Army with the opportunity to incorporate lessons learned as we moved progressively from the less complex to the most complex transition efforts.

TRANSITION IN KUWAIT

The Army began its transition efforts as planned, conducting fair opportunity competitions for the Kuwait LOGCAP requirements. We awarded all three of the Kuwait task orders by Dec 2008, but were delayed in moving to transition of the work by a series of protests. The Government Accountability Office (GAO) dismissed or denied all the protests, allowing the Army to proceed with transition activities. Transition was completed in June 2009.

Key lessons learned during the Kuwait transition include:

- Use forward operating base (FOB) banding, price matrices, and change management mechanisms to provide the flexibility to meet rapidly changing requirements while maintaining competitive pricing
- Engage in extensive pre-solicitation coordination with contractors and customers to ensure a competition ready requirement
- Obtain and evaluate transition plans from the contractors during the solicitation process

TRANSITION IN AFGHANISTAN

While we were still working to award the Kuwait task orders, we began planning our strategy for competing requirements in Afghanistan. This task proved larger and more complex than originally contemplated due to the change in US policy concerning the mission of the Armed Forces in Afghanistan. Applying lessons learned from the Kuwait transition, we worked with theater commanders to transition to LOGCAP IV in Afghanistan. Specifically we implemented forward operating base (FOB) banding, price matrix, and change management

mechanisms into our Afghanistan solicitation. Our transition efforts were slowed temporarily as we focused our resources on the competitive award of two unscheduled requirements emerged in support of the expansion in Afghanistan Regional Command (East) and Regional Command (South). We were able to award these task orders in less than 3 weeks each while simultaneously executing the acquisition planning activities for the transition of LOGCAP III requirements for all of Afghanistan. The Afghanistan North and South Area of Responsibility (AOR) task orders were awarded on 7 July 2009. The actual physical transition of work from LCIII to LCIV is now under way. In the North AOR, 27 of 58 FOBs have successfully transitioned; and in the South AOR, 15 of 31 FOBs have achieved that state.

We continue to share our lessons learned on the LOGCAP contract with those who are drafting Army doctrine and training so we can continually identify gaps or changes needed in our doctrine, organization, training, materiel, leader development, personnel, and facilities assessments.

TRANSITION IN IRAQ

Iraq presents the most complex environment for transition due to planned drawdown of forces. As the force structure in Iraq changes, we have worked, and continue to work closely with the theater commander to assure our contractor workforce is properly sized, and that our strategy for competing the Iraq requirements is consistent with the projected future state of operations in that country. We have also taken into account lessons learned from the Kuwait and Afghanistan competitions as well as the ensuing transitions to further refine our approach to obtain the best possible results.

We awarded the first LOGCAP IV task order in Iraq on February 26, 2010 to provide logistic support services, theater transportation and postal operations. That task order was competitively awarded to KBR which currently provides the services in Iraq under LOGCAP III.

We are analyzing task orders for Iraq base life support to determine our best course of action given the drawdown of forces in Iraq. At the same time, we are drawing down LOGCAP III in Iraq. On 31 January 2009, General Odierno issued a letter directing all contractors, including LOGCAP, to draw down by 5% a quarter. The LOGCAP III operating contractor is currently drawing down ahead of that goal.

Conclusion

Let me assure you that the Army Materiel Command is committed to excellence in all contracting, including these very complex and critical LOGCAP contracts. We continue to collect lessons learned and make improvements and adjustments along the way to ensure mission success and protection of the interests of the U.S. Government and taxpayer. It is my honor to lead the LOGCAP contracting team in achievement of those goals. USD/AT&L Ash Carter recently testified that: "I support, as does the Secretary, the initiatives the Congress directed when it unanimously passed the Weapon Systems Acquisition Reform Act (WSARA). Acquisition Reform is one of DoD's High Priority Performance Goals presented in the Analytic Perspectives volume of the President's FY 2011 Budget. The Department is moving out to implement these initiatives. " The contracting goals discussed above are consistent with WSARA implementation and DoD's Acquisition Reform goal.

Thank you for inviting me to speak with you today. This concludes my statement.